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ehavioural Ethics and the Next Generation in Finance

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* The views expressed herein are those of the author and do not necessarily reflect those of the Organization he is affiliated to.

As a young professional¹ working in finance, I believe it is important to try and be a positive force for change. We can challenge corruption. We can do things differently. However, this cannot be achieved unless we are enabled, unless we remain free from corruption. How can we become and remain ethical decision-makers? Behavioural ethics is an innovative field that can help answer that question. This paper applies those concepts to a variety of examples, from LIBOR to Madoff to Enron, in order to understand the pressures faced by young professionals in finance and consider how we can use this knowledge to enable more young people to become ambassadors for ethical decision-making.

¹ For the purposes of this paper, young professionals will be defined as those aged 35 or younger.

What is behavioural ethics?

Behavioural ethics is the examination of “*individual behaviour that is subject to or judged according to generally accepted moral norms of behaviour*” (Treviño, Weaver & Reynolds, 2006, p. 952). It considers how individuals really make decisions when faced with ethical dilemmas. This requires us to do much more than consider individuals as rational actors (Tenbrunsel & Messick, 1999); it involves a close examination of the full range of emotional and social influences on moral behaviours (Zhong, 2011).

As long ago as the 18th century, Adam Smith (1759/1981) stated that there are: “...*some situations which bear so hard upon human nature, that the greatest degree of self-government,*

L'éthique comportementale étudie le comportement d'un individu pour savoir s'il respecte les normes morales généralement admises. Elle examine comment il prend des décisions face aux dilemmes éthiques. Pour ce faire, l'éthique comportementale fait plus que considérer les individus comme des acteurs rationnels, elle prend en compte les valeurs émotionnelles et sociales qui influent sur les comportements moraux.

L'économie et la finance comportementales sont utilisées par les régulateurs du monde entier pour aider les gens à prendre de meilleures décisions économiques. La thèse de ce texte consiste à montrer que l'éthique comportementale peut aider les gens à prendre de meilleures décisions éthiques. Il est important de distinguer l'éthique comportementale d'autres approches philosophiques de l'éthique, mieux établies et reconnues, mais aussi plus limitées, notamment l'éthique des vertus, l'éthique du devoir ou l'éthique utilitariste des conséquences.

which can belong to so imperfect a creature as man, is not able to stifle, altogether, the voice of human weakness, or reduce the violence of the passions to that pitch of moderation, in which the impartial spectator can entirely enter into them.” (p. 29).

However, for most of the 20th century theories of economic analysis were dominated by the premise that individuals are rational actors (Morgan, 1996), without considering that individuals really make decisions based on a multitude of emotional and situational factors. More recently, financial regulators around the world have taken a different approach by embracing behavioural economics to help people make better financial decisions. In a similar way, this paper argues that behavioural ethics can help people make better ethical decisions.

This relatively new field embraces some of the best ideas from a broad range of existing ones, including organisational behaviour, behavioural economics, and moral and social psychology (Kish-Gephart, Harrison & Treviño, 2010). However, it is also important to distinguish behavioural ethics from three well-established philosophical approaches to ethics (Van Dijke, 2014). The first is Aristotle's virtue-based approach, which considers whether or not actions have been motivated by certain morally desirable traits. The second is the belief that the consequences of an action determine its moral value, *“Reason is, and ought only to be the slave of the passions”* (Hume,

1739/1978, p.415). The third and final philosophical approach to distinguish behavioural ethics from is deontological ethics, which judges whether or not an action is moral based on its adherence to rules (Kant, 1785/2013). Behavioural ethics, on the other hand, seeks to understand why individuals really make decisions to behave unethically by taking into account the social context of unethical action, i.e. it is not limited to considering the existence of moral traits, reason, or rules in order to determine whether behaviour has been unethical.

Behavioural ethics and generation in finance

To understand how to cultivate strong ethical standards in the next generation of finance professionals it is vital to first understand how we might become corrupted. Initiatives can then be developed to help young professionals develop into ambassadors for ethical decision-making.

This paper is, accordingly, structured to answer four key questions:

(i) Are some individuals inherently more unethical than others?

(ii) Can the workplace environment influence a person to behave unethically?

(iii) How do individuals really decide to make ethical or unethical decisions?

(iv) What will help the next generation to become ambassadors for ethical decision-making?

Les questions fondamentales auxquelles ce papier tente de répondre sont les suivantes : (i) est-ce que certains individus sont naturellement moins éthiques que d'autres ? (ii) l'environnement de travail peut-il induire une personne à agir de façon contraire à l'éthique ? (iii) comment les décisions éthiques ou contraires à l'éthique sont-elles réellement prises ? Et finalement (iv) qu'est-ce qui aidera la nouvelle génération à devenir des ambassadeurs d'une prise de décision éthique ?

Nous n'avons pas d'idée claire de ce qu'est la référence éthique des jeunes qui entrent dans les métiers de la finance. Quelles étaient leurs valeurs éthiques avant de rejoindre le monde du travail ? Vont-elles influencer leur comportement après l'engagement ? Les données chiffrées sur ces questions ne sont pas substantielles, ce qui complique leur réponse. Nous pou-

Are some individuals inherently more unethical than others?

Generally speaking, there is no standardised qualification that one requires to work in finance. The data showing what levels of ethical training young recruits in finance receive prior to joining their firms is not substantial. Ethics is taught at many business schools. However not all graduates will have attended business school and even if they did the curriculums which they studied will vary. Furthermore, and even more importantly, we do not have a clear idea of what the ethical baseline of young recruits is. What ethical values do they hold? Will that influence what they do in the workplace or will they succumb to other pressures? Influences from childhood and adolescence are important (Haidt, 2001), but it seems unlikely that moral intuitions about ethical issues that occur in complex organizations are definitively shaped by experiences gained during early periods of life (Treviño *et al.*, 2006). As part of some recruitment processes ethics will be assessed and new recruits may receive ethical training. However, again, this is not standardised or generally open to academic analysis.

We may partially define ourselves in terms of our role because we are attracted to the values and beliefs that the role is supposed to represent. The reputation of finance, therefore, is important in shaping the attitude of its new recruits. Nonethe-

less we are often unsure of what the role involves on a day-to-day basis and it is only by performing the role and interacting with our team that we discover what it really involves (Ashforth, 2001). This leaves us predisposed to find positive qualities in the role and use them to shape our identity (Fichman and Levinthal, 1991). However we remain members of society as a whole. This can lead to conflict between wider views of right and wrong, on the one hand, and workplace behaviour, on the other. We deal with this by compartmentalising our work-life from our identity in other social contexts. This may explain why even so-called "good people", who are upstanding members of the community, can engage in corruption (Banfield, 1958). Interestingly, studies show that moral reasoning is lower when individuals respond to workplace ethical dilemmas compared to those outside the workplace (Weber, 1990; Weber and Wasieleski, 2001). We are often guided by personal standards of behaviour and regulate ethical conduct through "anticipatory self-sanctions" that help us avoid unethical behaviour (Bandura, 1999). Those standards may, over time, be shaped and morally compromised by unconscious thought processes generated by the environment we find ourselves in (Gino, Moore & Bazerman, 2008).

Bad apples?

Many have framed unethical behaviours in finance to be the responsibility of "a few bad apples". This focuses on individualistic traits to

vons nous définir par notre rôle et être attirés par ce qu'il représente. Cependant, nous ne sommes pas sûrs de ce qu'il implique au quotidien jusqu'à ce que nous commençons à travailler. Cela nous le comprenons seulement en jouant notre rôle, en interagissant avec notre équipe. Nous sommes prédisposés à identifier des qualités positives associées à ce rôle et avec cela nous construisons notre identité. Cette dernière peut parfois se heurter avec la vision que la société porte sur le rôle. Pour assumer cela, nous trouvons l'échappatoire dans la séparation stricte entre vie professionnelle et privée.

Beaucoup pensent que les comportements contraires à l'éthique en finance sont le fait de "quelques brebis galeuses". C'est un exemple d'erreur fondamentale d'attribution car nous mettons beaucoup trop l'accent sur les caractéristiques individuelles et ignorons les circonstances dans lesquelles le comportement a lieu.

explain why people do bad things. However many now accept that it is not only "bad people" who do bad things. As Minouche Shafik of the Bank of England recently commented, "*the initial argument that it is just the case of 'a few bad apples' is no longer credible.*"² The reality is that both "good" and "bad" people do "good" and "bad" things (Bazerman & Tenbrunsel, 2011). As explained above, behavioural ethics is the study of unethical behaviour within the wider social prescriptions in which such behaviour occurs. Blaming a few bad apples is an example of a bias known as *fundamental attribution error*, where too much emphasis is placed on individual characteristics to explain behaviour and the circumstances in which that behaviour occurred are largely ignored. The study of this bias was the foundation of social psychology, a field that preceded behavioural economics and, indeed, behavioural ethics. It makes clear that when we try to sort individuals into groups of those that are more or less likely to be unethical we make mistakes. A far more accurate predictor of whether or not an individual is likely to be ethical or unethical is to examine the context in which they make decisions. Accordingly, this paper considers first the social contexts in which decision-making occurs before examining individual decision-making processes.

² 'Making markets fair and effective', speech given by Minouche Shafik, Deputy Governor, Markets and Banking, at the London School of Economics, on 27 October 2014

The role of the workplace environment

Behavioural ethics recognises that the environment we are placed in can heavily influence whether or not we behave unethically. When a young person joins the world of finance they are highly likely to have joined an already established firm with pre-existing routines and processes. They are introduced to their supervisor, their team and told what they will be working on. How does this influence ethical behaviour? There are two very important strands of influence, namely routinization and socialisation by peers.

Routinization

Many of our working lives contain an element of routine (some more than others). Routine and the division of labour improve productivity, an idea that underpins capitalism (Smith, 1776/1976). However, over time routine can also blunt ethical decision-making. It is often said that our most difficult unethical act is the very first one (Ashforth & Anand, 2003). Take, for example, one of the biggest financial scandals of recent history - LIBOR. This involved highly routinized misconduct. Every day at 11am UK time LIBOR submitters were required to input at what rate their bank could borrow funds. However as a matter of routine many submitters inappropriately took into account trading positions. Often those submitters were relatively junior employees (McConnell, 2013).

La routine peut éroder l'acuité éthique de la prise de décision. Le scandale du LIBOR est un exemple d'une faute professionnelle hautement routinière. Chaque jour à 11 heures UK, on demandait à un certain nombre d'employés de banque désignés d'indiquer à quel taux leur banque pouvait emprunter des fonds. Pris dans la routine, ce qui étaient chargés de transmettre l'information ont de façon inappropriée tenue content de leur propre de marché. Nombre d'entre eux était des juniors. Ils ont probablement été poussés à ignorer que ces pratiques étaient potentiellement corruptrices et mettre l'ordre de côté en croyant que c'était ainsi que les choses se faisaient. Lorsque des pratiques contraires à l'éthique sont ancrés, elles peuvent créer une dynamique qui occulte le besoin d'une prise de décision réfléchie. C'est un exemple de la dissipation de l'éthique.

When they took over as submitter, as with many other situations (Henisz & Delios, 2001), they may have assumed that their predecessor's behaviour was based on rational reasons and that following the precedent that had been laid down would legitimate their own behaviour. As those unethical practices became part of an institution's way of doing things and repeated over and over again they become routinized and habitual. Kelman (1973) defined routinizing as "*transforming the action into routine, mechanical, highly programmed operations.*" (p. 46). If unethical practices are embedded they provide momentum and remove the perceived need to make a decision (Ashforth & Kreiner, 2002; Kelman, 1973; Staw, 1980). Human nature dictates that we often take the path of least resistance. Habitual, familiar and taken-for-granted practices may be enacted mindlessly and without conscious thought (Ashforth & Fried, 1988; Brief, Buttram & Dukerich, 2001). Furthermore, it is worth noting that LIBOR misconduct took place during the financial crisis of 2008 – a time of extreme stress and workload for many finance professionals. We are most ethically compromised when our minds are overloaded and falling back on a routine in such a situation may bring cognitive relief. LIBOR submitters may argue that if they played a role in a wider corrupt act they did so without fully appreciating that counterparties would suffer loss. It is well known that individuals often fail to recognise

indirect losses where the identity of the victim is unknown. Routinizing processes are particularly relevant to the young people facing the reality of what is expected of them in the workplace and provide a so-called transition bridge to transform naïve newcomers into corrupted veterans (Ashforth, 2001). Young LIBOR submitters may have been motivated to dismiss potentially corrupt practices as unremarkable and suspend their disbelief by saying, "this is the way it's done". This is an example of ethical fading, where our minds remove the ethical content of a decision or it fades from view; in this case owing to its repeated, seemingly innocuous, nature.

Peer pressure

Pressures from peer groups may heavily influence unethical behaviours. For these purposes the word 'peer' is used to denote members of both formal and informal groups. Take the case of Bernard Madoff. Over the course of thirty years, Madoff's Ponzi scheme defrauded investors on an industrial scale: more than 15,000 individuals claim to have been defrauded and almost \$65 billion has been wiped from client accounts (although deducting the gains which had been fabricated, the net loss to clients is estimated to be some \$18 billion). Mr Madoff did not act alone. He was aided by a large number of feeder funds that invested in his products. Some clients of those feeder funds were told about this investment (and attracted to it

Les pairs peuvent être des membres du groupe formel ou informel. Par exemple, le schéma de Madoff à la Ponzi a trompé les investisseurs, car les fonds qui l'alimentaient comportaient de fortes incitations. Ces incitations ont empêché les gestionnaires de fonds de réaliser que les bénéfices générés étaient trop importants pour être réels. C'est un exemple de ce que l'on peut appeler la sensibilité éthique bornée. Les gens n'ont plus le recul pour voir ce qui est juste ou faux car ils sont distraits par d'autres facteurs situationnels.

Le processus de socialisation avec ceux avec qui nous travaillons peut avoir une grande influence sur notre comportement au lieu de travail. Nos collègues peuvent personifier un comportement corrompu tout en étant parfaitement à l'aise avec lui. En tant que nouveaux arrivants, nous pouvons être

owing to Mr Madoff's reputation) and some were simply told that it was an exotic investment strategy. Either way, those intermediaries running the feeder funds were paid handsomely for the investment by their funds, receiving a small percentage of the sums invested, plus as much as 20% of any profits made from the investment. Year-on-year Madoff consistently outperformed the markets, which meant that year-on-year those running the feeder funds got richer and richer. A number of analysts have demonstrated that the returns generated by Madoff were impossible to achieve legitimately. Did the managers of those feeder funds recognise that the returns were too good to be true and that Madoff was running a Ponzi scheme, and were they accordingly motivated to turn a blind eye? Many people believe that if they were placed in such a situation they would behave ethically, stop investing in the scheme, and report any wrongdoing that they witnessed. Yet thousands invested and only a few appear to have raised concerns (which were ignored). Why? This is an example of bounded ethicality, where individuals fail to see the bigger picture of what is right or wrong because they are distracted by other situational factors. Many individuals helped to perpetuate Madoff's fraud. The managers of the different feeder funds may not have considered themselves to be peers, but that is what, in effect, they became - at least as far as Madoff's enterprise was concerned.

Socialisation

The people we work with shape a large part of our working lives. The process of socialisation can have a large influence over how we behave in the workplace, although we often underestimate the extent to which we will be influenced by a peer or supervisor. We are most likely to feel social pressures from those we work most closely with (Ashforth, 2001; Bazerman & Tenbrunsel, 2011; O'Reilly & Chatman, 1996). Informal groups may form (not necessarily within the same teams or departments) that create pockets within the organisation that hold the same informal values. These values are "felt" by members and, whilst unofficial, may represent a firm's true ethical norms (Bazerman & Tenbrunsel, 2011). This may be how we actually learn how to behave in the workplace. It is these values that may have the greatest sway over how members of those, sometimes loosely formed, groups will behave. The people that we work with may model corrupt behaviour and, importantly, their comfort with it. As newcomers we are often encouraged to learn from and seek to please those more experienced colleagues or supervisors. If we have misgivings about what we are being asked to do we may attribute this to our own lack of experience (Lifton, 1961). Furthermore, we may receive positive reinforcement when performing the corrupt behaviours and so are discouraged from questioning them.

encouragés à faire de même pour plaire à ces collègues plus expérimentés. Le processus de corruption peut être graduel, il concerne de petites actions qui paraissent anodines. On accepte ainsi les rationalisations que produit le groupe dans lequel nous nous trouvons. C'est alors que s'initie un processus d'alignement de notre attitude sur celle des collègues. Les directeurs devraient être des modèles, bien que les études ont montré que leur raisonnement moral est moins acéré que celui des jeunes employés.

In the example of the LIBOR submitter given above, traders were found to have praised submitters and made promises of champagne and free coffee. This may cause us to reason that what we are being asked to do is routine, more experienced colleagues have no problems with it and so my own misgivings must be an overreaction. This creates a social cocoon in the workplace that we may struggle to look beyond (Brief *et al.*, 2001). This is a further example of bounded ethicality, where we fail to see the bigger picture of what is right or wrong because we are distracted by other situational factors.

Incremental change

This process of corruption may also be a gradual one where we are asked to engage in small acts that seem relatively harmless. As explained above, Madoff's fraud developed gradually over the course of thirty years. That is why many did not recognise the scam and it was only his confession (when losses during the financial crisis became too large to conceal) that caused many investors to wake-up to the evidence that they should have recognised a long time ago. Similarly, we may be incrementally corrupted over time without recognising this until it is too late. What might appear to be very small acts require us to accept the rationalising ideologies that our group provides and this starts a process of attitude realignment, which means that incrementally more and more corrupt acts are easier to per-

form in the future. Once this process has started it can be very difficult to stop: we often accept the rewards and seek to rationalise our behaviour afterwards (Sherman, 1980). This is the case even when we become aware that what we are doing is wrong, the only alternative to continuing on is perhaps to "blow the whistle" or take the big step of leaving our job; accepting the associated psychological and financial costs that such a course of action would bring (Darley, 1992). This is the point at which what may have been inadvertent becomes deliberate.

Those who manage young people have an important job to play in acting as role models. However, research has found that managers may have lower moral reasoning scores than more junior employees (Ponemon, 1990, 1992). Similar findings have been observed amongst pharmacists (Latif, 2000) and also in a more general management sample (Elm & Nichols, 1993). The experienced peer to whom an individual directly reports will have possibly the most significant bearing on a junior employee's behaviour, although the more senior the individual the more widely felt their actions. From the perspective of the junior employee, it is therefore important that more experienced individuals at all levels set a good example and that they are held to account when they do not. We do not always make the ethical decisions that we, or others, expect us to make.

Nous ne prenons pas toujours les décisions éthiques que nous-mêmes ou les autres, attendent de nous. En 2001, Enron a payé son auditeur Arthur Andersen 52 millions USD au total (25 millions USD pour les missions d'audit et 27 en frais de conseils) ce qui en a fait son deuxième plus grand client. Les auditeurs d'Enron avaient donc une forte motivation pour conserver un client si lucratif et ignorer tous les conflits d'intérêts. Il est possible que leurs comportements contraires à l'éthique se soient développés de manière incrémentale. Ainsi, dans l'activité d'audit, il est plausible que des pratiques douteuses se développent graduellement. La première année, il n'y a pas de problème, la deuxième ils peuvent faire des erreurs techniques, mais rien de grave, puis dans les années qui suivent, ils commettent des délits graves. Quand un comportement délictueux s'installe peu à peu, il est plus difficile à déceler que lorsqu'il y a tout de suite, la première année, transgression.

Why do individuals make ethical or unethical decisions?

Take the example of Enron, the energy firm who tried to conceal billions of dollars of debt and eventually went bankrupt. Why did their auditors, Arthur Andersen, approve financial statements that misled the markets into believing the company was in a healthy condition? Auditors have a duty, which is enshrined in law and codes of conduct, to report on whether or not financial statements are a fair and accurate reflection of a company's financial position. If an auditor is asked to audit a company it is likely that an auditor would consider, in advance, that any audit they conduct will be above board and ethical. However, when it actually comes to the audit, history has shown that they do not always behave in this way. In 2001, Enron paid its auditing firm, Arthur Andersen, a total of \$52m (\$25m in auditing fees and \$27m in consulting fees), making them their second largest client. The auditors of Enron had a strong motivation to retain this lucrative business and ignore any conflicts of interest. It is possible that their unethical behaviour developed incrementally. For example, in auditing it is plausible that a firm's questionable practices might develop over time – say in the first year there are no problems, in the second year they may have done something technically wrong but nothing serious, and then in the following year

they do something seriously wrong. When misconduct slowly builds it may be harder to notice the change than if the firm had committed a serious transgression in the first year. This may make the auditor more likely to believe that the firm was simply following accepted business practices. When the time came for Enron's auditors to make a decision they did not fulfil their professional responsibilities. They were accused by many of turning a blind eye to Enron's misconduct. Enron's then CEO, Kenneth Lay approved the firm's accounts. He has subsequently rationalised his behaviour by blaming the firm's Chief Financial Officer, Andrew Fastow. Mr Lay asserts that Mr Fastow misled him about the nature of the off-the-book partnerships that eventually led to the bankruptcy of the firm, thus preserving his own self-image as an ethical decision-maker.

Self-awareness

We often consider ourselves to be more ethical than we actually are. Research on how individuals make decisions has proposed that there are two systems governing our decision-making capabilities: intuition (fast thinking, or System 1) and reasoning (slow thinking, or System 2) (Kahneman, 2011; Stanovich & West, 2000). Our intuition makes quick judgments automatically. Reasoning, on the other hand, is deliberate and requires much more effort. We find it hard to accurately predict what ethical dilemmas we

Les études sur la prise de décision des individus ont conclu que deux systèmes gouvernent nos capacités de prise de décision : l'intuition (pensée rapide ou Système 1) et le raisonnement (pensée lente ou Systèmes 2).

Lorsque nous sommes effectivement confrontés à un dilemme éthique, il se peut que nous prenions notre décision sur la base du processus de pensée intuitif (Système 1) qui peut exclure de l'équation la dimension éthique à cause de biais inconscients.

Malheureusement, trop souvent, notre Système 2 est paresseux et nous retombons dans le Système 1. Après la décision, le Système 2 peut reprendre le contrôle et donner les raisons pour lesquelles nous avons choisi d'agir d'une certaine façon. Il peut soit reconnaître honnêtement ce qui s'est passé, soit échafauder une explication fautive de notre comportement.

may be confronted with in the future but believe that in any case we will behave ethically. This is likely to be based on our own sense of moral beliefs and principles formed through reason (System 2). At this stage we may still recognise that an issue is an ethical one. However when actually faced with an ethical dilemma we may base our decision on intuitive thought processes (System 1) which may have removed ethics from the equation due to unconscious biases. The factors of routine and peer pressure, referred to above, can combine to produce an intuitive feeling of cognitive ease that can lull our more vigilant, ethical selves into corrupt acts. In other words, we often sleepwalk into ethical failures without being aware. In the examples of Madoff and Enron individuals failed to act ethically because they failed to recognise that they were faced not with a business decision, but an ethical one. This is particularly important to young people, who are motivated to try and fit in. In these circumstances, it is important that young people recognise ethical issues and then think them through in a deliberate way. System 1 might sometimes alert us to an issue that does not seem right and System 2 can then evaluate it. That would be the ideal scenario and when the two systems are in disagreement that would provide a vital check and balance. Unfortunately, all too often our System 2 is lazy and we fall back on System 1. When it comes to evaluating our decisions Bazerman and

Tenbrunsel (2011) explain that: “Our memory is selective; specifically, we remember behaviours that support our self-image and conveniently forget those that do not. We rationalize unethical behaviour, change our definition of ethical behaviour, and, over time, become desensitized to our own unethical behaviour.” (p. 73).

In other words, we can come up with reasons as to why we undertook a certain course of action; our System 2 takes back control and may either recognise what has happened or construct a false explanation of our behaviour.

Ambassadors for ethical decision-making

Whether or not a young person behaves ethically is invariably bound up with the wider organisation they are part of. What is its ethical climate? Have cultural change initiatives penetrated down to lower levels of the organisation? However, behavioural ethics initiatives can be designed to help young people recognise corrupt practices and become agents for bottom-up, as opposed to the norm of top-down, change. We can draw some important conclusions in this respect from the analysis set out above.

Our ethical awareness should be assessed when we join the finance sector for the first time. In order to answer the question of whether some individuals really are more ethical than others it would be useful if this data could be retained and opened up to academic analysis in

Notre conscience éthique devrait être éveillée lorsque nous entrons dans les métiers de la finance pour la première fois. Nous devrions alors être formés à développer un socle de conscience éthique et combler les lacunes en matière de connaissances. Cette formation devrait nous préparer aux situations susceptibles de surgir dans notre fonction. Si nous pouvons nous projeter dans ces situations futures et nous préparer à assumer certaines attitudes, alors nous serons mieux à même de contenir les motivations quand elles seront très fortes.

Les jeunes devraient avoir la possibilité d'être guidés et conseillés par des personnes fiables éthiquement et expérimentées qui ne font pas partie du groupe proche de leurs pairs. Un schéma de mise en place de mentors pour les jeunes employés permettrait de mettre le comportement éthique à

the future. Once our ethical awareness is assessed, we should then be given training to provide a baseline awareness of ethical issues and plug any knowledge gaps.

This training should also help us identify the limits, fallibilities, and strengths of our decision-making process. In order to do so properly this training should test us against situations that we might encounter in our role. If we are able to project ourselves into a future situation then we can better anticipate and manage the motivations that are likely to be the most powerful. Training should also be designed to help debunk the rationalisations that might be proffered for unethical requests and provide a solid basis for ethical decision-making. It should cover the biases that impact on an accurate analysis of our decisions, which means that we can truly learn if asked to explore why we acted in a certain way. Regular debriefings with a trusted colleague can help this process. It might also be useful for us to discuss potential ethical issues that we might face with that colleague and commit to a course of action in advance (using System 2 thinking). This might improve the likelihood of us thinking through and making the right decision if and when such a situation occurs.

Managing unconscious biases

Even if one recognises that a practice is unethical, it is incredibly difficult for a junior employee to rai-

se this with their superiors - particular if they consider those persons to be complicit. In reality, that may be a career-limiting move. However, it should not be - if anything those individuals should be encouraged to become the leaders of the future. Young people, therefore, must be provided with the opportunity to seek guidance and advice from ethical and experienced individuals who do not form part of their immediate peer group. A mentoring scheme for young employees would be one way of championing ethical behaviour. However such a scheme would only be as good as the mentors that take part. As argued above, informal values imparted from peers have possibly the greatest influence over how individuals behave within the workplace, *e.g.* more than stated corporate values or compliance policies. It is suggested that both young people and their mentors should be trained to understand these informal values. This is no easy task. It will require the true sources of power within firms (normally those who make the most money, but not exclusively) to drill down and identify these values. Doing so requires an open and honest discussion about what really motivates individual decision-making. Through what routes are individuals seen to progress within an organisation's hierarchy? What makes them forget ethical values, *e.g.* routine? What pressures do they feel and why, *e.g.* peer pressure? What decisions does the firm incentivise? As noted above, this requires

l'honneur. Les jeunes et leurs mentors devraient être formés pour comprendre que ce sont les valeurs informelles de leur entreprise qui sont réellement à la base de la prise de décision.

On devrait apprendre aux jeunes à identifier les questions potentiellement éthiques, pour pouvoir ensuite réfléchir à une façon d'agir responsable et de manière approfondie et complète. Ce processus devrait se dérouler en dehors de tout biais. Nous ne devrions pas être contraints au compromis dans notre chemin de carrière du jeune employé au professionnel financier expérimenté

the identification of pockets of power that are not necessarily reflected on an organisation chart. Identification of these forces that silence our ethical voice is the first step in making sure that we are able to make ethical decisions when the time comes.

Thinking through ethical issues

It sounds obvious but when faced with ethical dilemmas it is important that young people think through what to do in a deliberate and considered way. It would be nice to think that behaving ethically is something that is always recognised and comes intuitively, perhaps one day as a result of cultural change and training. However, witnessing the impact that recent ethical failures had on society it is clear that such issues are far too important to leave to fast thinking. We should be taught to identify ethical issues and consider what to do in a deliberate and conscious way. Free from bias. Free from the influence of unethical peers. This paper advocates that when confronted with ethical issues we should be trained to use reasoned and deliberate thinking. Thinking

through how to apply principles to the situation, rather than allowing situational factors to either blind us to the ethical content of an issue or determine decision-making via the path of least resistance. It is accepted that, in reality, young people will face pressures from superiors to act in certain ways. However every generation represents an opportunity for change, the current generation of young people working in finance arguably more than most. Many young professionals are likely to have been introduced to the finance industry around the time of the financial crisis of 2008, a crisis that may have shaped the careers of many thus far and impacted on our ethical sensitivity. It was a crisis that brought with it mass redundancies, particularly in respect of young people working in finance. As the economy emerges from that crisis it is important to ensure that young people learn the right lessons and recognise how to manage unconscious biases. Ethical failures can have a severe impact on the rest of society. We should not have to compromise our ideals or stop listening to our conscience simply to make the journey from young to experienced finance professionals.

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